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WORLDCOM

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March 1, 2002

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Hand Deliver

Mr. William Caton
Acting Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: CC Docket No. 02-7; Application by Verizon for Authorization to Provide In-Region InterLATA Services in Vermont

Dear Mr. Caton:

Enclosed are WorldCom's Reply Comments in the above proceeding, one of which contains confidential information. The confidential version and a redacted version of the document are being submitted with appropriate cover letters with the understanding that the confidential material will be fully protected by the Protective Order established specifically for this docket (CC Docket No. 02-7; rel. January 17, 2002) and that the requirements for review and use of this document will be fully satisfied.

Please call me with any questions.

Sincerely,

Lori Wright

Lori Wright
Associate Counsel
Federal Advocacy

Enclosure

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Before the
Federal Communications Commission
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of	)	
	)	
Application by Verizon New England Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a/ Verizon Enterprise Solutions), Verizon Global Networks Inc., and Verizon Select Services Inc., for for Authorization to Provide In-Region, InterLATA Services in Vermont	)	CC Docket No. 02-7
	)	

REPLY COMMENTS OF WORLDCOM, INC. ON THE APPLICATION BY VERIZON FOR AUTHORIZATION TO PROVIDE IN-REGION, INTERLATA SERVICES IN VERMONT

Robert Lopardo
Lori Wright
WORLDCOM, INC.
1133 19th St., N.W.
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March 1, 2002

INTRODUCTION AND EXECUTIVE SUMMARY

Verizon's Vermont section 271 application should be denied because Verizon's UNE rates in Vermont do not "fall within the reasonable range that correct application of TELRIC principles would produce." Rhode Island Order ¶ 27. First, the cost study that Verizon submitted in this docket only three days before these comments were due and not provided to WorldCom until yesterday, contains several significant TELRIC errors that inflate Verizon's UNE rates. Second, Verizon may not continue to defend its Vermont switching rates by comparing them to Massachusetts rates and now-superseded rates in New York, pursuant to the Commission's Rhode Island Order issued last week. The Commission concluded in that Order that it was inappropriate to evaluate Verizon's Rhode Island rates based on a benchmark comparison to Massachusetts rates and superseded New York rates. The FCC found, in fact, that the superseded New York switching rates are no longer in effect and are significantly higher than other switching rates that the Commission has found to be TELRIC compliant.

In addition, comparing Verizon's Vermont rates to the new New York rates shows that Verizon's Vermont rates are excessive and not cost-based. Verizon's Vermont switching rates are almost <u>double</u> those in New York, even though switching costs in Vermont should be only 17 percent higher than in New York. Verizon's DUF charge in Vermont is nearly <u>four times</u> the DUF charge in New York. There is no credible basis on which Verizon can claim that DUF charge amounts should vary to this extent from state to state.

Verizon has failed to demonstrate that its UNE rates in Vermont are cost-based, in violation of checklist item two. Accordingly, this application should be denied.

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FCC Orders	
Rhode Island Order	In re Application by Verizon New England Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Co. (d/b/a Verizon Enterprise Solutions), Verizon Global Networks Inc., and Verizon Select Services Inc. for Authorization To Provide In-region, InterLATA Services in Rhode Island, CC Docket No. 01-324, Memorandum Opinion and Order, FCC 02-63 (rel. Feb. 22, 2002).

Before the
Federal Communications Commission
Washington, D.C. 20554

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MAR - 1 2002

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Application by Verizon New England Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a/ Verizon Enterprise Solutions), Verizon Global Networks Inc., and Verizon Select Services Inc., for for Authorization to Provide In-Region, InterLATA Services in Vermont	)	CC Docket No. 02-7

REPLY COMMENTS OF WORLDCOM, INC. ON THE APPLICATION BY VERIZON FOR AUTHORIZATION TO <u>PROVIDE IN-REGION, INTERLATA SERVICES IN VERMONT</u>

Verizon's Vermont section 271 application should be denied because Verizon's UNE rates in Vermont are well in excess of the rates that a proper TELRIC study would produce. The cost study that Verizon submitted in this docket only three days before these comments were due and did not provide to WorldCom until yesterday contains several significant TELRIC errors that inflate Verizon's switching rates. And Verizon's daily usage file (DUF) charge far exceeds what any reasonable application of TELRIC would produce.

Nor can Verizon continue to defend its Vermont switching rates by comparing them to the Massachusetts and now-superseded switching rates in New York. This Commission concluded in its Rhode Island Order last week that it would be inappropriate to evaluate Verizon's Rhode Island rates based on a benchmark comparison to the Massachusetts and superseded New York rates. The FCC found in fact that the superseded New York switching rates are significantly higher than other switching rates that the Commission has found to be TELRIC compliant. Rhode Island Order ¶ 46. The same is equally true in the case of Vermont.

Moreover, a comparison of Verizon's Vermont switching rates and DUF charges to those in New York further demonstrates that Verizon's Vermont rates are excessive. Specifically, Verizon's switching rates in Vermont are almost <u>double</u> those in New York, even though switching costs in Vermont are no more than 17 percent higher than those costs in New York, as measured by the Commission's Synthesis Model. In addition, Verizon's DUF charges in Vermont are more than <u>four times</u> those in New York, even though these costs should not vary from state to state.

Verizon has not proven compliance with checklist item two, 47 U.S.C. § 271(c)(2)(B)(ii), which imposes on Verizon the burden of proving that it has made available UNEs at just, reasonable, and non-discriminatory prices based on the costs of the elements.

I. VERIZON'S UNE RATES IN VERMONT ARE NOT TELRIC COMPLIANT

Below we identify several of the most significant TELRIC errors contained in Verizon's Vermont cost study. Verizon filed its Vermont application at the FCC on January 17, 2002, but not until more than a month later on February 26, 2002 – and only upon the Common Carrier Bureau's request -- did Verizon file its cost study. The cost study therefore was unavailable to commenters when preparing their initial comments in this proceeding and was placed on the record only three days before reply comments were due. In WorldCom's case, the cost study was not provided to us by Verizon until one day before these reply comments were due. This provided insufficient time to fully analyze the data and compromised WorldCom's ability to review the material. This sequence of events highlights the fact that all BOCs should as a matter of course submit on the record at the time of their section 271 application any cost study on which they rely, as Commission rules require. Notwithstanding this, we were able to identify the significant errors discussed below. WorldCom will file in a subsequent ex parte additional information on the cost study data just received yesterday, including our analysis of relevant TELRIC issues not discussed herein, such as the switch discount.

A. Verizon's Switching Rates Are Improper.

Verizon inflates its switching rates in Vermont in several ways. First, Verizon uses an excessive switch installation factor of 54 percent. The installation factor is the percentage amount of the original switch price added to the switch price to recover the costs of installation. *See* Rhode Island Order ¶ 35. The Commission in the Rhode Island Order was unconvinced that a 60 percent installation factor is consistent with TELRIC. Rhode Island Order ¶ 35. Similarly, Verizon's 54 percent installation factor in Vermont also is inconsistent with TELRIC.

Second, as we presumed in our initial comments but could not confirm due to the absence of the cost study, Verizon improperly inflates its switch usage rates by using only the minutes for workdays to determine the per-minute switch usage rates, which it nonetheless applies to weekends and holidays. In other words, Verizon determines the size of the switches needed based on peak usage for the switches and then applies a busy hour to total usage ratio to determine the total minutes that will be divided into the switch cost to determine the switch rate. However, after obtaining the average daily usage in this manner, Verizon then multiplies that usage by only ** ** days. This is the number of weekdays in the month of March, which Verizon uses for its traffic study. This methodology for determining the number of minutes in a year effectively assumes that there are no minutes of calling on weekends or holidays. However, Verizon charges CLECs for weekend and holiday usage. This is a clear violation of the TELRIC methodology, which requires that all usage be considered in determining rates. Correctly including all calendar days in usage would decrease by ** ** percent the per-minute switch usage and trunk port costs. The Commission should require Verizon to correct this error.

Third, Verizon inflates switching costs by charging twice for intra-switch calls – once for originating and once for terminating – even though an intra-switch call passes through the switch only once. The cost of switching an intra-office call does not differ from the cost of switching only the originating portion of an inter-office call, where one switching charge applies. This "double-charging" for intra-switch calls has no justification and was explicitly rejected in both New York and Massachusetts. Indeed, just yesterday Verizon filed a tariff revision in New York at the request of the New York Public Service Commission to eliminate this "double-charge."[1] Verizon should eliminate the "double-charge" in Vermont as well.

Comparing Verizon's switching rates in Vermont to the new rates established in New York further demonstrates conclusively that these and other errors result in switch costs that are

1 *See* Letter from Sandra Dilorio Thorn, Verizon, to the Hon. Janet Hand Deixler, New York Public Service Commission, dated Feb. 28, 2002.

far outside the range that correct application of TELRIC principles would produce. Verizon's Vermont switching rates are almost twice as high as those in New York, even though the cost of switching in Vermont is no more than 17 percent higher than in New York. AT&T Comments, Lieberman Decl. ¶ 26. There simply is no credible justification why switching rates in Vermont are almost double those in neighboring New York.

B. Verizon's DUF Charges Are Excessive.

Verizon's DUF charges in Vermont also are excessive and not cost-based, as stated in our initial comments and as discussed by AT&T in its opening comments. Huffman Decl. ¶ 3; AT&T Comments at 16-17. AT&T correctly states that Verizon's DUF rates are substantially inflated by TELRIC errors and exceed those in other states because Verizon relies on outdated data that does not reflect current costs necessary to collect and provide DUF. AT&T Comments at 17-18. Verizon's DUF charges therefore are not cost-based and violate checklist item 2. In addition, the DUF charge in Vermont is four-times the DUF charge in New York. Specifically, as shown in Attachment 1 hereto, the DUF charge in Vermont is $0.91, compared to $0.22 in New York. There is no credible justification for this difference. Verizon must reduce its DUF charge to a cost-based level before gaining section 271 authorization in Vermont.

II. VERIZON MAY NOT BENCHMARK VERMONT RATES AGAINST MASSACHUSETTS AND SUPERSEDED NEW YORK RATES

The Commission's Rhode Island Order makes clear that Verizon can no longer defend its Vermont UNE rates by comparing them to the now-superseded New York rates and

Massachusetts rates. Rhode Island Order ¶¶ 42, 46. The Commission found it inappropriate to evaluate Verizon's Rhode Island rates based on a benchmark comparison to the superseded New York rates, because the superseded New York rates are considerably higher than other switching rates that the Commission found to be TELRIC compliant. Rhode Island Order ¶ 46. The Commission further found inappropriate Verizon's reliance on Massachusetts rates for a benchmark comparison, stating that it is "particularly inappropriate when the Commission found that Massachusetts rates satisfied checklist item two based on a benchmark comparison to New York rates that have now been superseded." Rhode Island Order ¶ 42. Because Verizon may not justify its rates by comparing them to the superseded New York rates and Massachusetts rates, and because its cost study reveals significant TELRIC errors, Verizon has not met its burden of showing that its rates are TELRIC-compliant.

CONCLUSION

Verizon's Vermont section 271 application should be denied.

Respectfully submitted,

Robert Lopardo
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Washington, D.C. 20036

(202) 736-6468

March 1, 2002

CERTIFICATE OF SERVICE

I, Vivian Lee, do hereby certify that copies of the foregoing Reply Comments of WorldCom, Inc. were sent via hand delivered (as indicated) or e-mailed to the following on this 1st day of March, 2002.

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CURRENT VERMONT RATES

	Switching	Port	Transport & other elements	Total: Switching/Port /Transport	Per MOU Switching Rate	Switch Features	DUF Charge
Vermont	$10.70	$1.03	$1.28	$13.01	$0.004003		$0.91

MCI Entry States

State	Switching	Port	Transport & other elements	Total: Switching/Port /Transport	Per MOU Switching Rate	Switch Features	DUF Charge
Illinois (Flat rate)	$0.00	$5.01	$1.25	$6.26	$0.000000		$0.21
Illinois (SBC proposal)	$0.00	$3.16	$1.25	$4.41	$0.000000		$0.21
Michigan	$1.24	$2.53	$0.73	$4.50	$0.000522		$0.15
Texas *	$2.87	$2.90	$0.41	$6.18	$0.001042		$0.66
Georgia	$3.77	$1.79	$1.15	$6.71	$0.001633		$1.12
Pennsylvania **	$4.56	$1.90	$0.20	$6.66	$0.001802		$0.06
Florida	$1.81	$1.17	$0.99	$3.97	$0.000766	$2.26	$1.80
New York	$7.04	$2.50	$3.08	$12.62	$0.002986		$0.96
New York (PSC Decision) ***	$2.67	$2.57	$1.45	$6.69	$0.001147		$0.22

** TX also has a separate call set-up charge of $.0010887/call*
*** The "Per MOU Switching Rate" represents the originating switching rate. The terminating switching rate is $0.001615.*
**** The "Per MOU Switching Rate" represents the originating switching rate. The terminating switching rate is $0.001111.*

OTHER 271 STATES

State	Switching	Port	Transport & other elements	Total: Switching/Port /Transport	Per MOU Switching Rate	Switch Features	DUF Charge
Massachusetts *	$7.94	$2.00	$2.24	$12.18	$0.003298		$0.96
Kansas *	$3.79	$1.61	$0.43	$5.83	$0.001613		$0.68
Oklahoma **	$4.86	$2.25	$0.60	$7.71	$0.002123		$0.66
Missouri **	$4.35	$1.91	$0.59	$6.85	$0.001878		$0.00
Arkansas *	$3.71	$1.61	$0.42	$5.74	$0.001604		$0.69
Rhode Island ***	$3.33	$1.86	$1.77	$6.96	$0.001358		$1.08

** The Switching Rate represents a blended rate as this charge is de-averaged by Zone.*

*** The Switching and Port Rates represent a blended rate as these charges are de-averaged by Zone.*

**** The "Per MOU Switching Rate" represents the originating switching rate. The terminating switching rate is $0.001192.*

<u>Notes:</u>

- Switching, Port, and Transport figures represent per month, per line amounts.
- "Transport & other elements" includes blended and common transport, signalling, tandem switching, and EO and tandem shared trunk port.
- UNE telco rates represent RBOC portion of above states.